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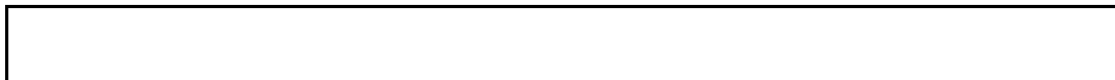


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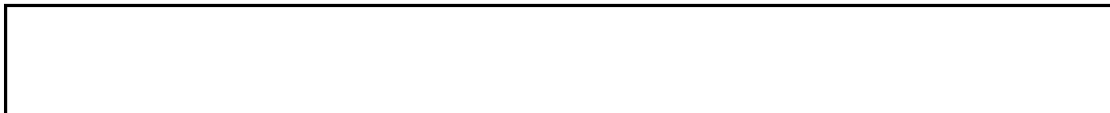


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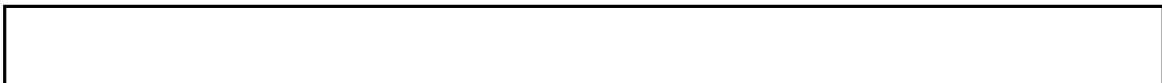
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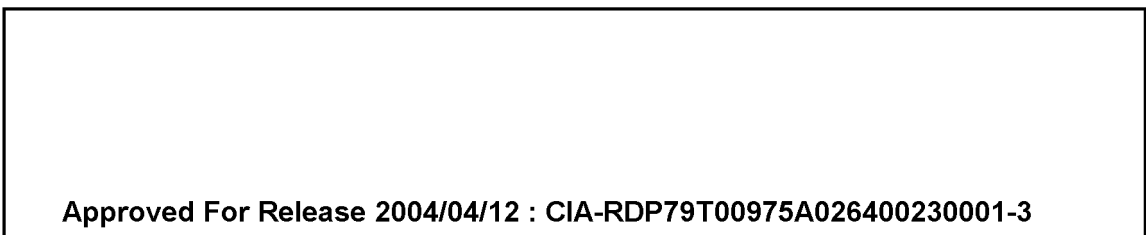
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ISRAEL-LEBANON-SYRIA: Israeli aircraft yesterday again hit fedayeen positions several times in southern Lebanon around Hasbaiya, near Mount Hermon. An Israeli military spokesman said these actions were part of a "new phase" in Israel's war against Arab guerrillas, after the attack at Maalot last week. The statement probably means that the Israelis intend to continue punitive strikes against fedayeen bases and facilities inside Lebanon.

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[REDACTED]
[REDACTED] A press dispatch from Beirut claimed that Lebanese troops engaged an Israeli patrol in southeastern Lebanon and that Israeli artillery shelled Lebanese positions in the area shortly afterward.

Fighting on the Golan front continued yesterday at the reduced level of the past few days. Only sporadic exchanges of mortar and artillery fire were reported.

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[REDACTED]

USSR-LIBYA: The visit of Prime Minister Jallud to Moscow has substantially improved Libyan-Soviet relations, but it may not have lived up to the full expectations of the participants. The tone of the communiqué marking the end of the visit and the failure to mention specific new agreements except for a trade pact suggest that Jallud's protracted negotiations were only partially successful.

Both sides set aside ideological differences to emphasize their common opposition to "imperialist advances" in the Middle East. They undoubtedly hope that the visit will promote the isolation of their mutual antagonist--Egypt's President Sadat. Nevertheless, the characterization of the talks as "frank" and the absence of specifics on the Middle East suggest that the USSR and Libya continue to differ on political tactics in the region.

The Soviets have been championing the Geneva conference as the appropriate forum to work out a Middle East settlement, while the Libyans have been hostile to any talks with Israel. Furthermore, the two sides could pledge only to give "every assistance" to the Palestinians, without agreeing on such issues as fedayeen representation at the peace talks.

Jallud undoubtedly discussed military purchases during his meetings with Kosygin and a two-hour session with Defense Minister Grechko, but there was no mention of military sales in the communiqué. Arab diplomatic sources in Moscow are claiming that the Soviets were reluctant to sell the Libyans everything they requested. [REDACTED]

THAILAND: Prime Minister Sanya, against the advice of his cabinet and presumably that of the King as well, has tendered his government's resignation. It is now up to the King either to persuade Sanya to continue in office until elections can be held in the fall or to accept his resignation and nominate a new prime minister.

The current cabinet crisis, however it is resolved, is a setback to the orderly transition from military rule to democratic government. Many Thai skeptics, especially within the military, will view the present paralysis in government as symptomatic of civilian rule in Thailand.

If Sanya is indeed intent on stepping down, there are no obvious candidates to replace him. The King's desire to preserve civilian rule in Thailand would probably rule out at this time his turning to army chief Krit Sivara to form a new government. Sanya is known to have spoken of Justice Minister Prakop as a man qualified to succeed him, but Prakop is considered a weak leader. A more plausible candidate would be Khukrit Pramot, speaker of the National Assembly and confidant of the King. Khukrit, who is already an avowed candidate for prime minister in the upcoming election, has said he would not serve in an appointed capacity. He almost certainly would bow to the King's wishes, however.

It is possible that Sanya's resignation is merely the prelude to a cabinet reshuffle. In recent weeks a growing mood of impatience with the government's indecisiveness in coping with economic and administrative problems had focused on various cabinet ministers.

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CYPRUS: The Makarios government, responding to a UN initiative, has agreed to resume the stalled intercommunal talks on June 4. The periodic discussions on a system to govern relations between the Greek and Turkish Cypriots were adjourned on April 2 when the Turkish Cypriot negotiator refused to disavow Turkish Prime Minister Ecevit's late March statement calling for a "federal" solution.

The Greek Cypriots claim the agreed terms of reference for the talks are based on the principle of a "unitary" state; the Turkish Cypriot side rejects this claim but has played down the Ecevit statement. Greek Cypriots see the federal solution as a denial of majority rule and a step toward partition, while Turkish Cypriots consider some form of federalism as essential to prevent Greek Cypriot domination. The UN formula artfully avoids defining the basis of the talks.

Resumption of the talks would help lessen tension between the two communities, but the prospects for an agreement remain poor. [REDACTED]

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WESTERN EUROPE: West European labor's efforts to form a regional alliance will be significantly advanced this week when the Socialist founders of the 15-month-old European Trade Union Confederation hold its first congress and vote to admit Christian-oriented labor groups. The alliance will then represent 33 million workers in 16 countries.

The congress, to take place in Copenhagen on May 23-25, will duck the confederation's most controversial current issue--membership for the Italian Communist-dominated labor federation--in deference to continued opposition from the giant West German trade union organization. However, recent reports indicate that most members believe the Italians will be accepted soon, perhaps as early as July, by action of the confederation's executive committee.

Delegates to the congress will elect confederation officers, with Belgian Socialist Theo Rasschaert scheduled to remain as general secretary--despite general dissatisfaction with his lackluster performance--and a Dane, Peer Carlsen, to be elected his deputy. Belgian Socialist Georges Debunne and Danish union leader Thomas Nielsen are the leading candidates for president. West German labor chief Heinz Oskar Vetter has decided not to be a candidate for the presidency to succeed Vic Feather, former head of the confederation's other giant, the British Trades Union Congress. This pleases smaller members, who have been concerned that the West Germans and the British might dominate confederation affairs. Such concern may be unfounded, because the two organizations have not seen eye to eye on policy toward the confederation. The Germans, for example, are generally strong supporters, while the British trade unionists are ambivalent. The British have participated actively in the confederation's executive committee, but have weakened the initiatives of other members in EC negotiations on social policy--a primary labor objective--by boycotting all EC activities.

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The congress will adopt the confederation's first action program, giving priority attention to employment, price stability, more equal income distribution, formulation of a common energy policy for Western Europe, a greater voice for labor in industrial management, and aid to developing countries.

The specter of inflation and the power of multinational corporations will be prominent topics at the congress. Members also have expressed concern about the plight of non-Communist Portuguese labor, which could lead the confederation to support the aid initiatives of individual member federations and the labor internationals.

Discussions of the future of East-West trade union exchanges will probably confirm that most confederation members are ready to attend a second meeting with labor organizations from the Soviet Union and Eastern Europe in Geneva next January, but will resist any efforts to formalize relationships. The first East-West labor meeting was held in Geneva last January. [REDACTED]

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USSR: The Soviets are further developing their capability for eventually putting men on the moon. They are actively procuring and developing life support and simulation equipment crucial to executing such a mission. The landing of a manned lunar vehicle, however, must await the successful development of a sufficiently powerful space booster.

A recent statement by a Soviet cosmonaut indicates that the Soviets are planning to use liquid-cooled spacesuits in their lunar program. They have attempted to purchase spacesuits of this type developed for the Apollo program on at least two occasions during the past year. The US manufacturer, however, was not permitted to sell them.

Soviet interest in manned lunar missions is also reflected in Moscow's current effort to purchase a \$10-million space simulation facility that can be used for testing cosmonauts in pressure suits under conditions closely approaching the environment of the lunar surface.

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The simulation facility is similar to those used in the US Apollo program. It will have the ability to create environmental conditions of the lunar surface in the larger of two interconnecting chambers. At the same time, it can maintain the environment of a lunar lander vehicle in the smaller chamber. Thus, cosmonauts will be able to train in both environments.

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*URUGUAY: The Uruguayan army's commander in chief, General Chiappe Posse, was relieved yesterday, ending a short power struggle among top army officers. The army chief of staff and several other high-ranking officers reportedly have also resigned. The army leaders thus seem to have achieved greater unity, heightening the possibility of their deposing President Bordaberry.

The disagreement among army leaders apparently was triggered by the death of the civilian vice president on May 18. Several top generals wished to assign a retired colleague to the office. General Chiappe Posse objected, favoring a military junta that could take over should the President be removed. In the ensuing quarrel, Chiappe Posse demanded the resignations of two division commanders. The two, however, were supported by senior colleagues, including the commander of the key Montevideo area.

After removing Chiappe Posse, the officers selected General Julio Vadora, currently the military attaché to the US, as his replacement. His selection indicates that the generals are trying to conciliate each other; they passed over two stronger candidates.

Although the dismissal of Chiappe Posse increases army unity for the moment, there is still a possibility of wrangling over which officer will replace the President in the event of a coup. [REDACTED]

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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ARGENTINA: The Terrorist Problem

The Argentine government is setting about to curb the growing wave of political violence, but so far it has failed to devise effective counter-measures.

The pace of terrorist activity has quickened in recent weeks, and the trend is likely to continue until Peron moves more vigorously and efficiently against them.

The most notable reasons for his failure so far are:

--A weak, divided, and largely unmotivated federal police force, which has to play a key role in combating terrorism.

--A lingering reluctance, based on political motives, to resort to a bloody showdown with the extremists; Peron himself is not eager to embark on a course that would imperil the already fragile allegiance of left-wing youth supporters who sympathize with the guerrillas.

--A reluctance by security forces to pull Peron's chestnuts from the fire, especially when they believe the aging President will not last much longer. The armed forces, in particular, have shown a strong preference to remain on the sidelines.

The Terrorists

The most dangerous of the many terrorist organizations in Argentina is the Marxist People's Revolutionary Army, which originated as the action arm of the Trotskyist Revolutionary Workers' Party.

Led by Roberto Santucho, it has been openly at war with the "bourgeois" Peron government since it scorned Peron's initial appeals for a truce. The

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People's Revolutionary Army has attracted disillusioned elements from among the various Peronist guerrilla movements, reportedly to engage in joint operations.

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They are well-armed as a result of raids on military and police posts.

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The Army has obtained a staggering sum of ransom money--estimated at some \$50 million--from kidnaping businessmen and now seems prepared for dramatic moves against US and other foreign officials in the country. Their stated goal is to create a "socialist fatherland" and drive out "foreign imperialists."

In recent weeks, the pace of terrorist activity has quickened further, and it seems likely that this trend will continue. The government's vacillation is probably encouraging this to some extent, and unless Peron moves vigorously and soon to counter it, the People's Revolutionary Army is likely to continue gaining strength at Peronism's--and Argentina's--expense.

Weak Police Work

Underlying the government's delay in taking aggressive action against the terrorists are the serious shortcomings of the federal and provincial police, who have principal responsibility in this area.

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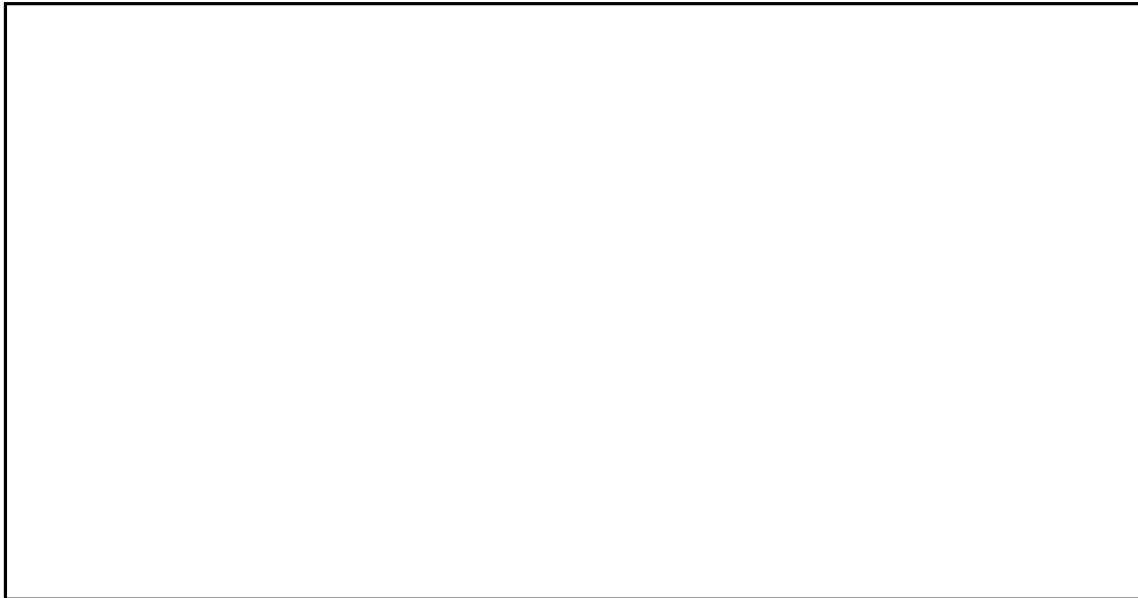
Since Peron returned to power, Argentina's police organizations have suffered from frequent shifts of key personnel, poor morale, and bureaucratic inertia.



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The federal police force was further disrupted recently by the resignation of the chief--ostensibly for health reasons--and his replacement by a conservative old-line Peronist. Although the shift suggested that Peron was dissatisfied with police failure to score dramatic results against the terrorists, the discontent with the new appointee has alienated many staff-level police officers, causing further resignations.

Peron apparently wants a thorough overhaul of the existing security apparatus, but by installing unpopular figures whose police experience dates back to the first Peron era, the President may be inadvertently reducing the little counterterrorist expertise the police now possess.



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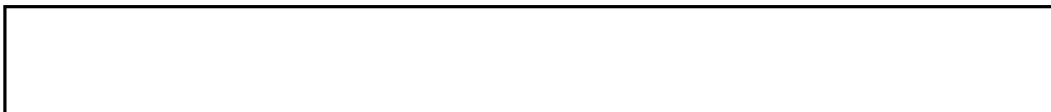
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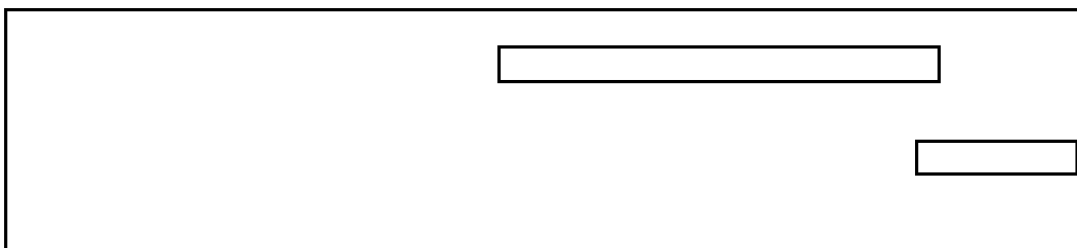
Political Caution

The delay in launching a stronger offensive against terrorism may also reflect Peron's caution in choosing a potentially bloody course that would entail a high political price. Guerrilla groups, which are ostensibly pro-Peron, are not in practice under Peron's control at all and could be driven into the arms of the Marxist People's Revolutionary Army--the most formidable of Argentina's insurgent groups.

In addition, left-leaning Peronist youth might well defect in large numbers if the government were to resort to the wholesale use of strongarm tactics. Then there is the danger of inflaming left-wing labor again; much of it is only nominally under the Peronist umbrella.

At a minimum, an all-out drive against militant leftists would risk an open break in the badly divided Peronist movement and encourage defecting elements to take up arms against the government.

The Military Factor



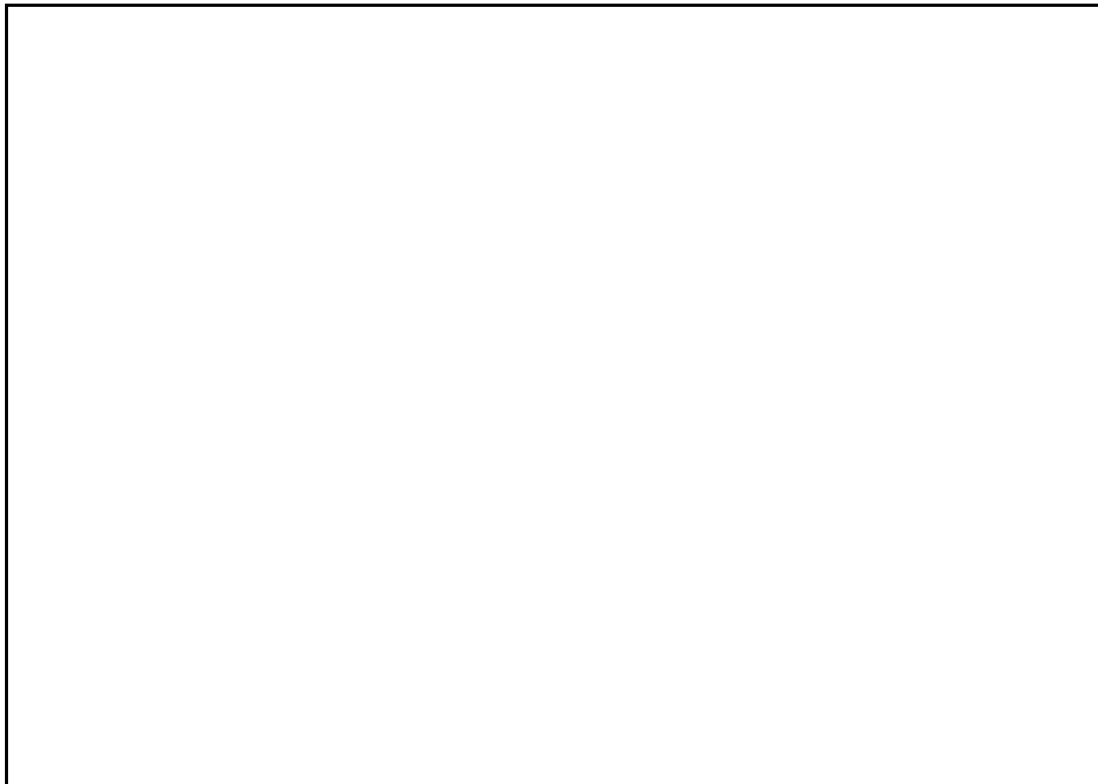
It is far from certain that the armed forces are willing to become heavily involved in a repressive campaign loaded with political dynamite. Many officers are reluctant to adopt a "Brazilian" solution to terrorism, believing that it cannot be applied in Argentina.

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Paramilitary groups may be beginning to step up their extralegal actions, including the kidnaping and execution of suspected terrorists. The assassination on May 11 of a prominent leftist priest, Carlos Mugica--a spokesman for the Movement of Third World Priests--may be an indication that right-wing counterterrorists are at work. Their activities could, of course, provoke equally indiscriminate reprisals by the extremists.

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Conclusion

The army realizes that it is still unpopular and has not become more involved for fear of incurring further public hostility. Unless there is a show of widespread support for the military to take a more activist role or it becomes a major target of terrorist attacks, the generals are likely to remain on the sidelines. With the police continuing to be weak and ineffective, and Peron reluctant to commit himself to eradicating the extremists, violence by terrorist and counterterrorist groups is likely to increase.



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